

## PROJECT TITLE: DEFINE “CAPITAL PROJECTS” PROJECT

### Project Rationalization:

The Legislative Fiscal Division (LFD), in the work plan adopted by the Legislative Finance Committee (LFC), is analyzing existing budget statutes to determine if there are needs for change. Through the three sessions I have served the legislature as the long-range planning budgets analyst, there is one notable omission in statute that has created questions, Montana statutes do not define “capital project”. Throughout the Long-Range Building Program (LRBP) section of the Montana code, Title 17, Chapter 7, there are references to capital projects. One specific example of concern is seen in 17-7-212, MCA, which states, “The remaining balances on capital projects previously approved by the legislature are re-appropriated for the purposes of the original appropriation until the projects are completed.” The lack of a clear definition of “capital project” makes the statute ambiguous and provides the potential for improper use of the statutory condition. Defining “capital project” will end the ambiguity and improve the legislative budget process.

One reason that long-range budgets exist is that there are certain types of projects that cannot be adequately completed in one biennium. For example, the planning and construction of a new building or the extensive remodeling of an existing building may take several biennia to complete. Prior to the creation of the long-range building program, individual agencies brought the agency building requests forward in their subcommittee work. My understanding is that the same project would appear before the legislature numerous times until the project was complete. The addition of 17-7-212, MCA, allowed the legislature to appropriate all the necessary funding for “capital projects” at one time.

Since the formation of the LRBP, the program has expanded to include new types of projects and programs. As seen in the LRBP bill (HB 5), the LRBP includes not just new state buildings and major repair/remodel projects, but also major highway construction, the purchase of parcels of land, and the funding of numerous maintenance type programs. State programs are generally funded in the general appropriations act (HB 2), which permits the legislatures to oversee the functions of the program. However with the expansion of the LRBP, certain maintenance type programs have avoided biennial legislative oversight by adopting the designation of a capital project. Consequently, such programs are able to take advantage of the conditions provided in 17-7-212, MCA.

Defining “capital project” would reduce the ability to designate any project or program as a “capital project”, without regard to whether the project or program is a capital creating/enhancing function. Defining “capital project” will reduce or eliminate the potential for abuse of the condition provided in 17-7-212, MCA and improve the legislative budget process.

Note: A definition for IT capital projects is also recommended, and corrections should be made to the definition of capital projects fund found in 17-2-102, MCA (may be corrected in proposed Department of Administration housekeeping legislation).

### ***Mission:***

The mission of this project is to improve the legislative budget process and reduce the funding of non-capital projects in the LRBP by creating a definition of “capital project”, to be included in LFC draft legislation to the 61<sup>st</sup> Legislature as an amendment to Title 17, Chapter 2, MCA.

***Goals:***

The goals of this project are to determine if there is a need for a definition for “capital project”, work with interested parties to develop a definition, and recommend the definition to the LFC to be included in proposed legislation.

***Objectives:***

The objective of this project is to develop, with the assistance of agency personnel and the state accountant, a definition of “capital project” that will acceptably limit the types of projects that can be designated as “capital projects” and will at the same time conform to the Generally Accepted Accounting Principles (GAAP) and meet the needs of the LRBP program. If this project goes forward, more specific objectives will be developed.

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